

Making Ends Meet: The Role of Informal Work in Supplementing Americans' Income

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Growth of the “gig” economy?

- **Widespread media reports about growth of alternative work arrangements, especially independent contracting, other nonemployee (gig) work**
 - Some studies using administrative or financial data have found evidence of growth that is not apparent in household surveys such as the CPS or ACS (Jackson, Looney and Ramnath 2017; Katz and Krueger 2017, Abraham et al. 2018; Farrell and Greig 2016a, 2016b; Farrell, Greig and Hamoudi 2018)
 - Spurred fielding of BLS Contingent Worker Supplement to CPS in May 2017—first time in 12 years.
- **CWS found *NO* evidence of increase in any alternative work arrangements**
 - Slight *decline* in share working as independent contractors, independent consultants, freelancers in 2017 compared to 2005

Reactions to CWS report

- **Some view CWS as evidence that changes in gig work not all that important**
 - CWS provides the “best measure of independent contracting” and throws “cold water on those hyping the explosion of freelancing and the rapidly changing nature of work.” (Larry Mishel, EPI)
- **Others skeptical about the CWS numbers**
 - “You can see the gig economy everywhere but in the statistics.” (Casselman, NYT)

Limitations in what the CWS measures

- **Some people doing informal work not asked about it in CWS**
 - CWS questions asked only of individuals *categorized as employed in the basic CPS* about their *main job*
 - Some individuals who do only informal work may not consider it a job and fail to report it in the basic CPS; will not be categorized as employed
 - Informal work may be secondary to a main job
- **Even if asked CWS questions, some individuals doing informal non-employee work may not be categorized as non-employee workers**
 - May not think of themselves as being “independent contractors, independent consultants, or freelance workers”—language used in CWS.

Focus of this paper: Informal work as a secondary activity

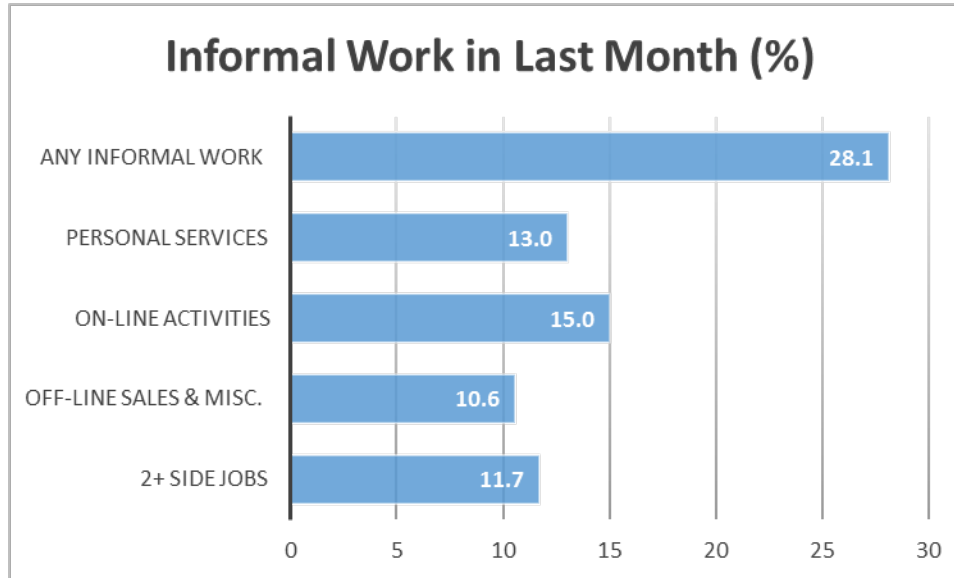
- **Independent contractor work often supplements income on a main job**
(Farrell and Greig 2016a, 2016b; Jackson, Looney and Ramnath 2017, Koustas 2018, Abraham et al. 2018)
- **Ethnographic studies find that even small amounts of income from informal, work can be critical in helping low-income households make ends meet.**
(Edin and Lein 1997, Seefeldt and Sandstrom 2015)
- **Interested in informal work outside of a main job (if any) and reasons for it**
 - Prevalence by demographic, financial and employment characteristics
 - Importance to income

Data

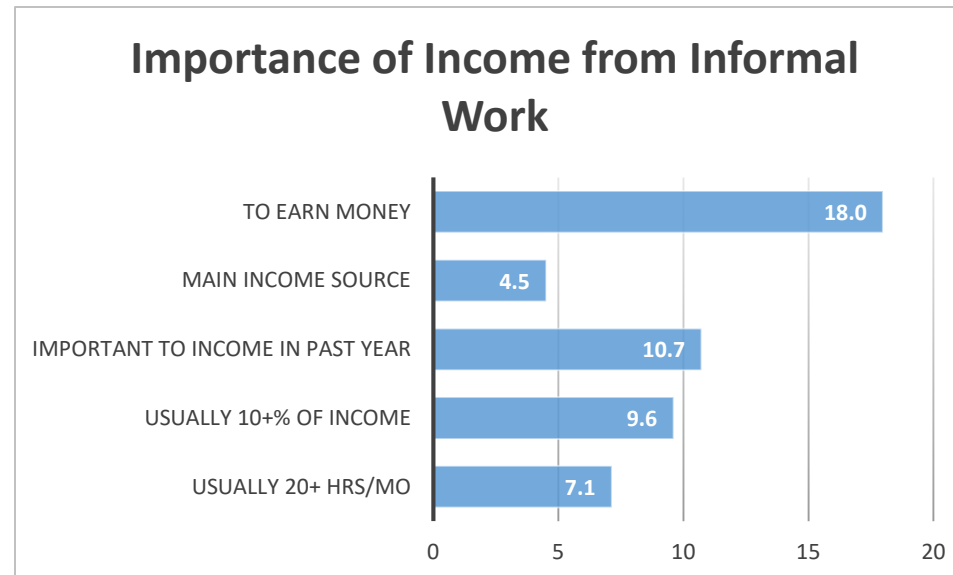
- **Pool data from 2016 and 2017 Survey of Household Economic Decisionmaking (SHED)**
 - Annual survey sponsored by Federal Reserve Board of those 18 and older
 - Administered by market research firm GfK through online KnowledgePanel
 - 2016 and 2017 surveys included module on informal work
- **Structure of SHED employment questions:**
 - All individuals asked about employment activities in the last month—if any employment, asked about nature of main job
 - Then asked whether did any of 11 or 12 types informal work or side jobs for pay that were not part of main job (if any)
 - Ideally suited for studying how informal nonemployee work supplements income

Data on informal work activities

- **3 categories of informal work/side jobs for pay**
 - *Personal services* (e.g., childcare, eldercare, dog walking, house cleaning, yard work)
 - *Online activities* (on-line tasks, renting & selling on-line, driving using ride-sharing apps)
 - **Offline sales, miscellaneous** (e.g., selling at thrift shops, flea markets)
- **Information on why doing informal work and its importance:**
 - Main reason do informal work (including earn money)
 - Subjective assessment of importance to household income in last year
 - % income usually accounted for by informal work
 - Hours usually spent per month in informal work



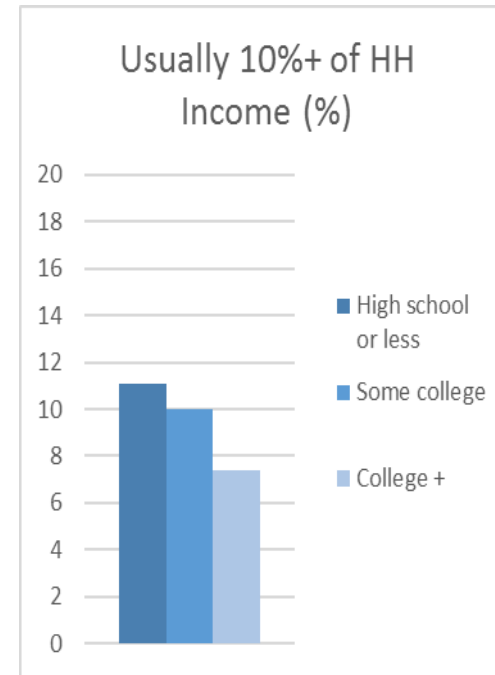
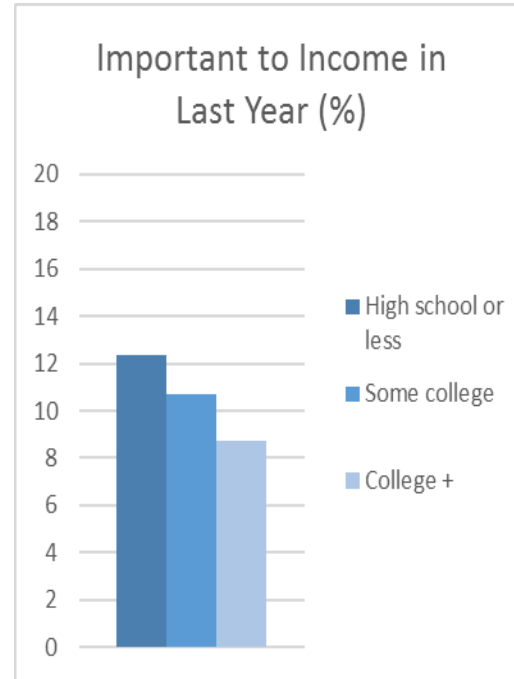
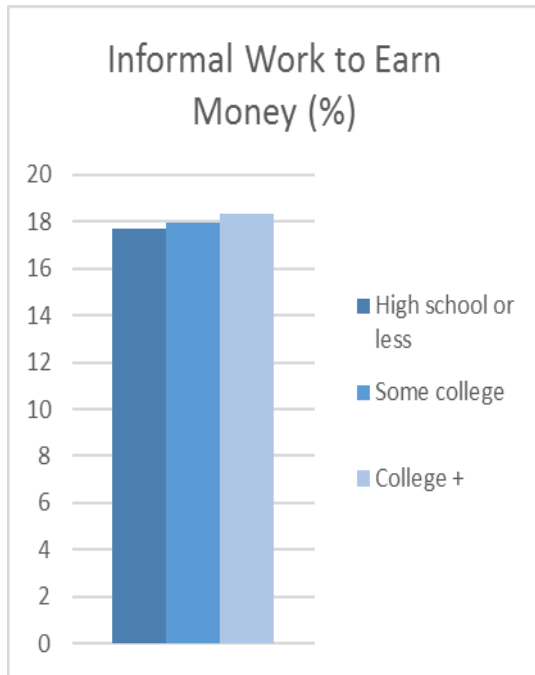
High prevalence of informal work in population overall



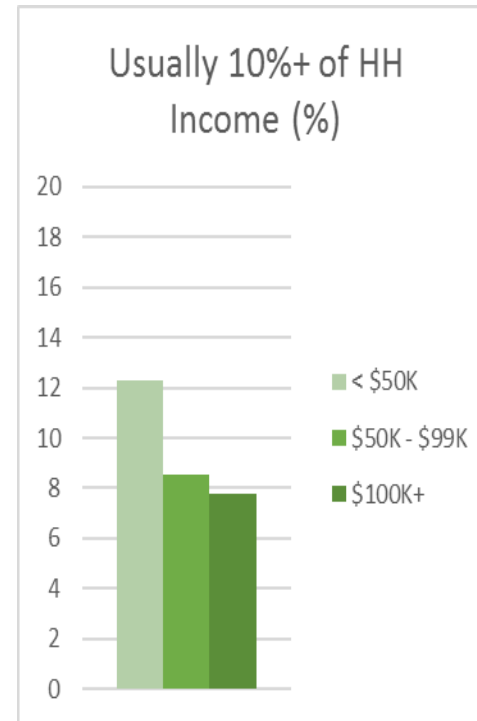
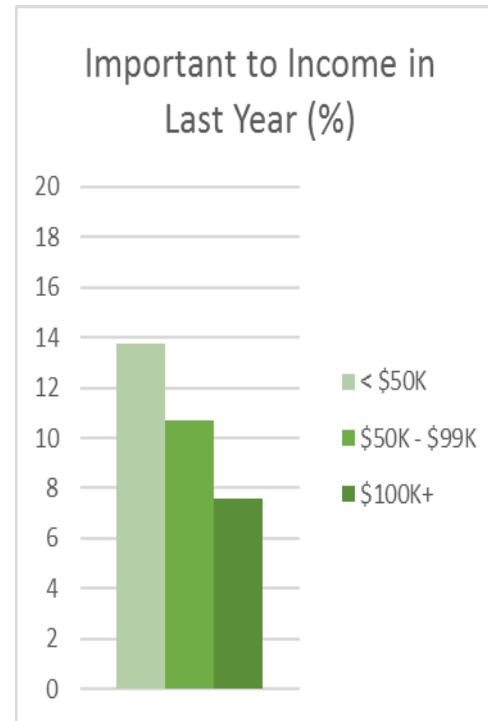
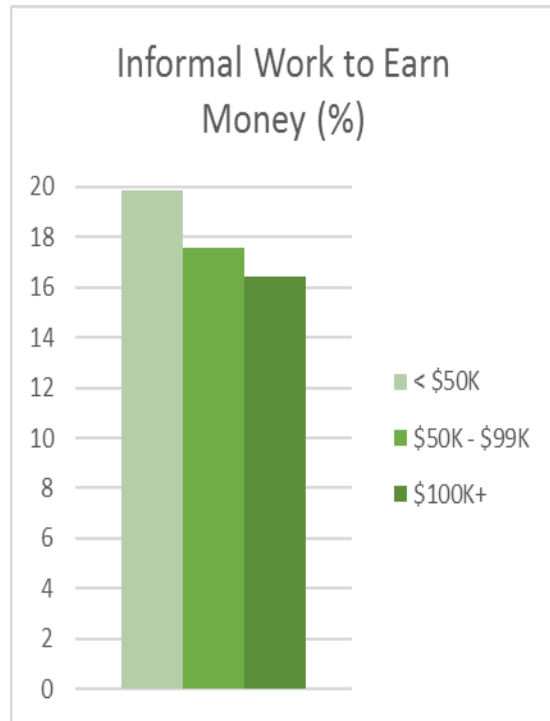
Who does informal work and why?

- Large variation by demographic, financial, and job characteristics in who does side jobs for money and their reliance on that income.
- Minorities, low-educated, low-income, other economically vulnerable groups, those who are in precarious or nonstandard work arrangements, and the unemployed generally significantly more likely to
 - Do informal work to earn money in the last month
 - View informal work as important to income in last year
 - Usually rely on informal work for 10% or more of household income
 - Usually work at least 20 hours/month in side jobs

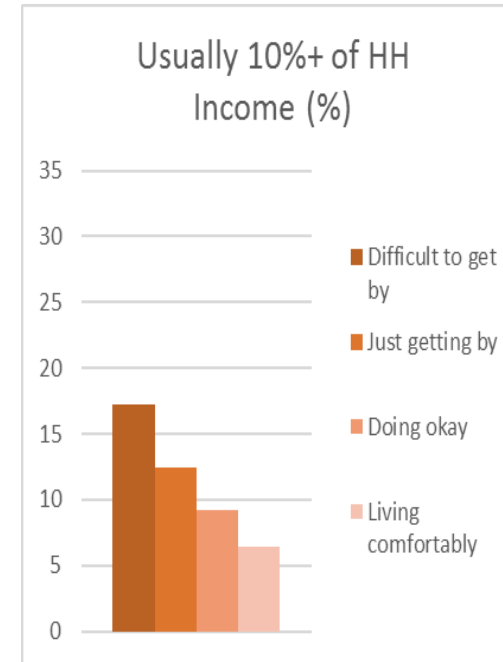
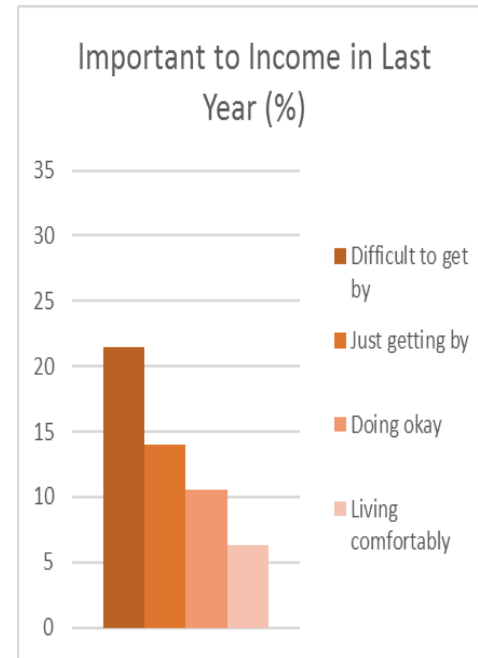
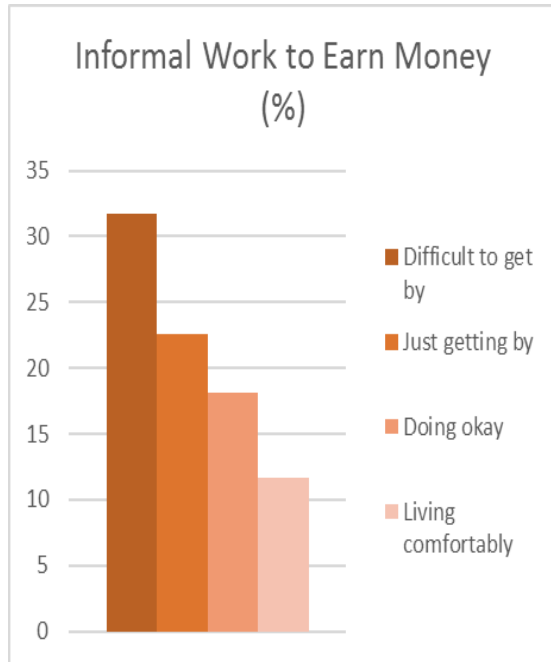
Informal work by education



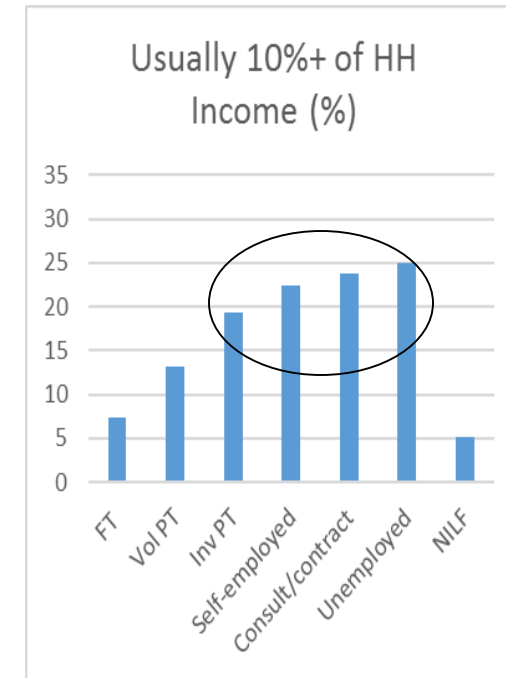
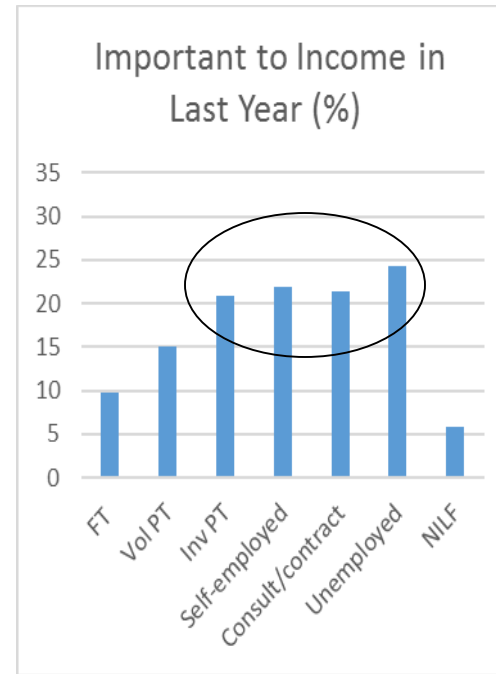
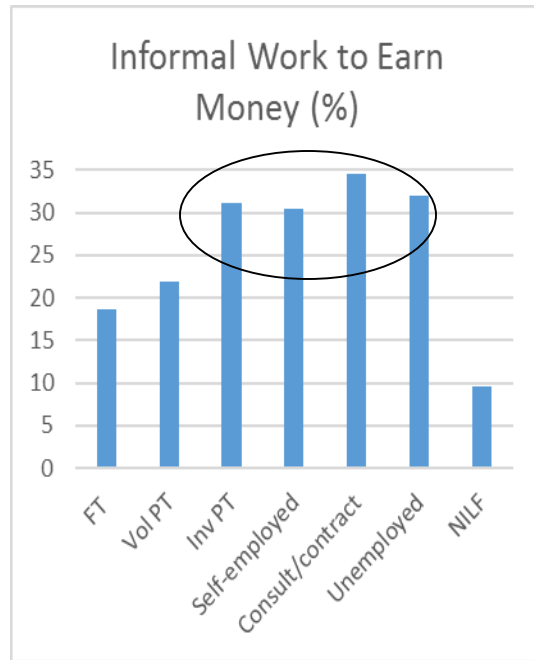
Informal work by household income



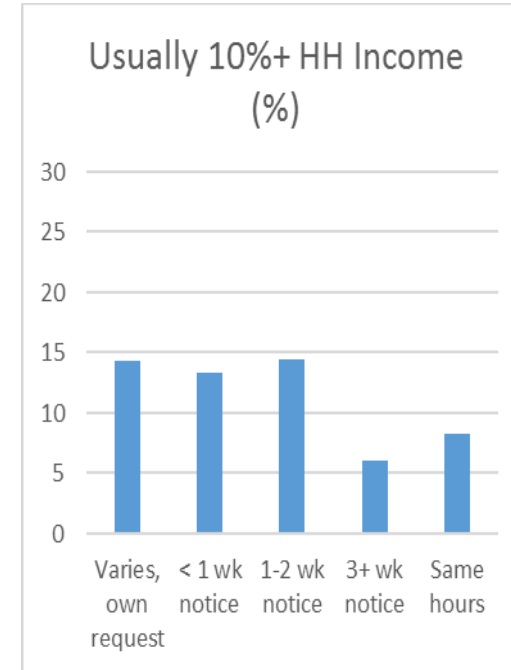
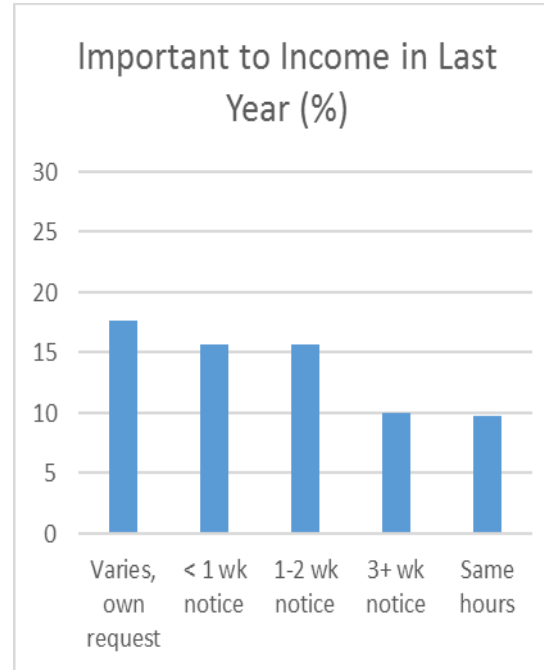
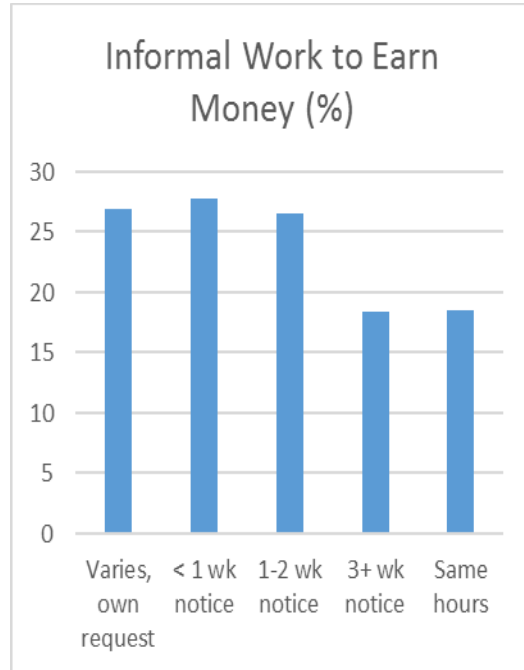
Informal work and financial stress



Informal work by employment status and work arrangement on main job



Informal work by work schedule notice



Can we generalize from the SHED findings?

- **Prevalence of informal work activities similarly high in Enterprising and Informal Work Activities (EIWA) survey and Survey of Informal Work Participation (SIWP)**
 - Like SHED, online panel surveys with response rates under 5 percent
 - Concern that individuals willing to participate in online panels also might be more likely than others to engage in other types of informal work
- **SHED estimate of participation in ridesharing for 2017 same order of magnitude as estimate based on deposits to checking accounts**
 - 1.6% of individuals in SHED (data collected late 2017) versus 1.0% estimate reported for March 2018 by Farrell, Greig and Hamoudi (2018)
- **Dropping all online informal work or all informal work done by anyone who does any online work affects prevalence level but not pattern**
 - Exclusions reduce overall prevalence to 20.1% or 13.1% respectively
 - Relative magnitudes across different groups remain very similar

Discussion and policy challenges

- **Money from informal work usually accounts for a small share of income**
 - But, consistent with ethnographic work, money from side jobs can be important, especially for economically vulnerable groups.
- **Strong association between informal work and precarious/nonstandard/self-employment arrangements**
 - Informal work a manifestation of broader problems with those jobs
 - Informal work much more prevalent among people whose main jobs typically do not come with benefits
- **Policy should focus on access to retirement and health insurance benefits, social insurance for these workers**